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## **INTRODUCTION**

Detroit/Wayne County 4C entered into contract number 4C-02-82001 with the Michigan Family Independence Agency (FIA) provide child care referral, child care resource coordination, recruitment, provider support, outreach, and Project Zero child care specialist services. Detroit/Wayne County 4C was reimbursed for actual costs incurred for providing these services, through submission of monthly billings to FIA. The contract totaled \$1,405,630 and covers the period October 1, 2001 through September 30, 2004.

## **SCOPE**

The Office of Internal Audit performed an audit of Detroit/Wayne County 4C to determine if the agency's billings were accurate, and if costs billed were allowable and properly supported by the accounting records and other relevant documentation, in accordance with the terms of the contract. Our review covered the period October 1, 2002 through January 31, 2004.

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that Detroit/Wayne County 4C overbilled FIA \$4,446.05 for the On Site Coordinator budget for the fiscal year 2003. The Salaries, Occupancy, Equipment and Miscellaneous expense were underbilled and the Communication, Supplies and Local Transportation were overbilled. The 4C budget was properly billed, but the actual cost exceeded the allowable budget amount by \$7,408.

Our report recommends the Adult and Family Services Administration either initiate the process to recoup \$4,446.05 from Detroit/Wayne County 4C, or allow the excess costs incurred for the 4C budget to offset the overbilling for the On Site Coordinator budget.

The fiscal year 2004 expenses were properly billed for both the On Site Coordinator and the 4C Fund.

### **AGENCY RESPONSE**

The management of Detroit/Wayne County 4C has reviewed all findings and recommendations included in this report. They indicated in a memo dated June 16, 2004 that they are in general agreement with the findings in this report. They stated that corrective action has been taken to implement timekeeping procedures to comply with OMB Circular A-122. They also stated the costs were over and under billed for the On Site Coordinator budget due to FIA's denial of their request for a line item transfer, and the fact that they were required to submit estimated billings by August 20, 2004 for the year ending September 30, 2004. Detroit/Wayne County 4C is requesting that the excess cost incurred under the 4C budget be used to offset the over billed amounts in the On Site Coordinator budget, since both programs' budgets are under the same contract.

### **FINDINGS AND RECOMMENDATIONS**

#### **Fiscal Year 2003**

##### **Salaries**

1. Detroit/Wayne County 4C did not properly document employees' time and activity for each of the contracts. Federal Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, states in part "Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professional and non-professional) whose compensation is charged, in whole or in part, directly to awards...The reports must reflect an after the fact determination of the actual activity of each employee. Budget estimates do not qualify as support for charges to awards. Each report must account for the total

activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.”

All employees prepared time sheets that documented the number of hours worked. However, they did not all record the number of hours worked on each program, and charges were based on the budget prepared at the beginning of each month.

WE RECOMMEND the Adult and Family Services Administration ensure that Detroit/Wayne County 4C implements timekeeping procedures to comply with OMB Circular A-122.

#### Expenses Underbilled and Overbilled

2. Detroit/Wayne County 4C underbilled salaries occupancy, equipment and miscellaneous expenses for the On Site Coordinator budget by \$33.22, \$25.62, \$2,391.41 and \$904.79 respectively because they billed less than the amount recorded in their general ledger for these line items. They also overbilled FIA for communication, supplies, and local transportation by \$3,318.90, \$1,009.34, and \$3,472.85 respectively because the amounts billed for these items were more than the amounts recorded in the general ledger. The net amount overbilled was \$4,446.05.

The Detroit/Wayne County 4C’s expenses for the 4C portion of the contract were properly documented, recorded, and billed. However, the actual cost of the 4C portion was \$7,408.53 more than the budget would allow.

WE RECOMMEND the Adult and Family Services Administration either initiate the process to recoup \$4,446.05 from Detroit/Wayne County 4C, or allow the additional

costs incurred for the 4C program to offset the overbilled amount in the On Site Coordinator budget.

### **Fiscal Year 2004**

#### **On Site Coordinator and 4C Funds**

3. Detroit/Wayne County 4C properly billed for the On Site Coordinator and the 4C program for the period October 1, 2003 through January 31, 2004. The expenses billed were properly documented, recorded, and billed for this contract year.

#### **Documentation for Services Provided**

4. We reviewed a sample of 88 child care referrals, 93 inquiries for potential day care providers, class listings for 19 information classes that were provided, and Child Care Needs Assessment Questionnaire statistics for 13 weeks. We found that Detroit/Wayne County 4C had adequate documentation to support the services provided for this contract.